

Message Text

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11

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 SP-02 OIC-02 SS-15 IO-10 AID-05 STR-04

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FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 7896

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY CARACAS

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E.O. 11652: N/A

TAGS: EFIN; IDB; ES

SUBJECT: IDB ANNUAL BOARD OF GOVERNORS MEETING

REF: A) SAN SALVADOR 0784; B) STATE 066926; C) SAN SALVADOR 1496

GUATEMALA ALSO FOR ROCAP

1. GOES DELEGATION TO SUBJECT IDB BOARD OF GOVERNORS MEETING IS NOT COMPLETELY DETERMINED AND WILL NOT BE BEFORE EARLY MAY. SALVADORAN IDB GOVERNOR AND MINISTER OF ECONOMY DR. GUILLERMO HIDALGO QUAHL INTENDS TO LEAD THE DELEGATION. ALTERNATE GOVERNOR AND CENTRAL RESERVE BANK (BCR) PRESIDENT ING. EDGARDO SUAREZ WOULD NORMALLY GO BUT IS TRYING TO BACK OUT SINCE HE MUST ATTEND A WEEK'S MEETING OF CENTRAL BANK PRESIDENTS IN PANAMA THE PRIOR WEEK. IN SUCH AN EVENT THE PROBABLE ALTERNATE GOVERNOR WOULD BE DR. GUSTAVO ADOLFO CANAS VIANA, AN ALTERNATE DIRECTOR OF THE BCR AND MANAGER OF THE INSTITUTO REGULADOR DE ABASTECIMIENTOS (IRA). ADVISORS WOULD INCLUDE ONE OFFICIAL FROM THE BCR, ONE FROM THE MINISTRY OF ECONOMY AND POSSIBLY A HIGH OFFICIAL.

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OF THE CENTRAL PLANNING COUNCIL (CONAPLAN) AND LT. COL. CARLOS

EUGENIO VIDES CASANOVA, PRESIDENT OF THE INDUSTRIAL DEVELOPMENT BANK (INSAFI).

2. MINISTER HIDALGO QUEHL HAS NOT YET PREPARED HIMSELF FOR THE MEETING BUT AT THIS TIME DOUBTS THERE WILL BE ANY NEED FOR A BILATERAL WITH THE U.S. NEITHER DOES THE EMBASSY SEE A NEED FOR USDEL INITIATIVES WITH THE GOES.

3. ONE ISSUE, THAT OF THE HOST COUNTRY FOR THE 1976 BOARD OF GOVERNORS MEETING, COULD INVOLVE SOME BILATERAL DISCUSSION SINCE, ACCORDING TO HIDALGO QUEHL, THE ONLY OTHER COUNTRY OFFERING TO HOST THE MEETING IS THE U.S. HE SAID HE UNDERSTAND THE BOLIVIANS HAVE WITHDRAWN THEIR INVITATION. FOR EL SALVADOR 1977 IS NOT A POSSIBLE ALTERNATIVE SINCE IT IS AN ELECTION YEAR, WHEREAS THE MINISTER BELIEVES THE U.S. DESIRE IS RELATED TO OUR BICENTENNIAL WHICH IS OBSERVED IN 1976 AND 1977, SO THE U.S. COULD ACCEPT 1977.

4. AT THIS POINT MINISTER HIDALGO QUEHL THINKS HE MAY RAISE THE SALVADORAN DESIRE FOR A BROADENING OF EXPORT PROMOTION ASSISTANCE, ESPECIALLY FOR THAT OUTSIDE THE AREA. AS REPORTED IN OUR REFTEL A, HE IS HOPEFUL PROGRESS WILL OCCUR ON VENEZUELAN CONCESSIONAL LENDING TO THE BANK AND WE BELIEVE THE USDEL CAN COUNT ON HIS SUPPORT IN THAT REGARD. THE MINISTER SAID HE COULD VISUALIZE AS ITEMS OF GENERAL INTEREST OUTSIDE THE AGENDA THE U.S. TRADE ACT AND , MORE SPECIFICALLY, OUR GSP. COMMENT: THE LATTER MAY REFLECT HIS OWN DESIRE TO BE A PARTICIPANT OR OBSERVER IN DISCUSSION OF THESE CONTROVERSIES, SINCE TO DATE SUCH A FORUM HAS ELUDED HIM AND HE WOULD ENJOY AND GAIN SOME PRESTIGE DOMESTICALLY FROM SUCH EXPERIENCE. BUT WE WOULD NOT ANTICIPATE ANY UNUSUAL CRITICISM OR INITIATIVE AGAINST THE U.S. FROM THE GOES.

5. AN APRIL 16 EXCHANGE BETWEEN THE AMBASSADOR,DCM AND FOREIGN MINISTER BORGONOVO RELATING TO SOURCES OF ASSISTANCE FOR LDC'S SHOULD INTEREST THE DEPARTMENT SINCE IT REVEALS AN ATTITUDE WHICH MAY EMERGE IN THE SANTO DOMINGO MEETING. MINISTER BORGONOVO SHOWED THEM A DOCUMENT BY CEPAL PREPARED IN MARCH FOR THE APRIL 27 TEGUCIGALPA MEETING ON CENTRAL AMERICAN INTEGRATION. ONE SECTION RAISED AND DISCUSSED THE QUESTION, " CAN WE LOOK TO LIMITED OFFICIAL USE

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OPEC COUNTRIES FOR CONCESSIONAL ASSISTANCE". IN ANSWERING "NO", IT ARGUES THAT OPEC COUNTRIES ARE EXPORTING A NONRENEWABLE RESOURCE, A WASTING ASSET. FURTHERMORE, THE CENTRAL AMERICANS WILL ALLOCATE NON-CONCESSIONAL LOANS, SUCH AS THAT FROM VENEZUELA, FOR IMPORTS FOR CAPITAL INVESTMENT, VIRTUALLY ALL OF WHICH COME FROM INDUSTRIALIZED COUNTRIES. IN THIS CASE THE INDUSTRIALIZED COUNTRIES ARE GETTING BACK SOME OF WHAT THEY HAVE TRANSFERRED TO OPEC VIA PETROLEUM PURCHASES. THEY WILL GET BACK

MUCH OF THE REST FROM OPEC PURCHASES OF GOODS AND SERVICES AND OPEC INVESTMENTS. THUS THE LDC'S SHOULD CONTINUE TO LOOK TO AND EXPECT THE INDUSTRIALIZED NATIONS TO PROVIDE CONCESSIONAL FINANCIAL ASSISTANCE. BORGONOVO FOUND THIS LINE OF ARGUMENT COGENT.

6. WE BELIEVE BORGONOVO WAS PERSUADED AT LEAST IN PART BY OUR COUNTER ARGUMENTS THAT PUBLIC AND LEGISLATIVE OPINION IN THE U.S. AND OTHER INDUSTRIALIZED COUNTRIES DO NOT PERCEIVE THE SITUATION AS DOES CEPAL, AND THAT IS A REALITY THE LDC'S MUST FACE. THEY RATHER SEE THE 400/500 PERCENT INCREASE IN OPEC INCOMES FROM PETROLEUM AS EXCESSIVE AND CONVEYING INTER ALIA AN OBLIGATION TO ASSIST THOSE VERY LDC'S WHOSE ECONOMIES HAVE TAKEN A SUBSTANTIAL BACKWARD STEP DUE TO OPEC'S PROFITS. IN FACT, IF OPEC SPURNS THIS OBLIGATION IT WOULD UNDERMIN OUR OWN INCENTIVE TO CONINUE CONCESSIONAL LENDING. FURTHER, THE INCREASED ENERGY COSTS ARE RAISING SIGNIFICANTLY THE LDC'S IMPORT BILL FOR INDUSTRIAL GOODS AS WELL AS PETROLEUM RELATED PRIMARY GOODS, AN INDIRECT BUT ANOTHER STRONGLY ADVERSE IMPACT ON LDC'S FOR WHICH OPEC COUNTRIES MUST ANSWER. WE SAID, IN SUMMARY, THAT THE REAL LOSERS IN FOLLOWING THIS CEPAL LINE WOULD BE THE LDC'S. COMMENT: IF BORGONOVO, WHO TO DATE HAS ENTERTAINED LITTLE SYMPATHY FOR OPEC'S ACTIONS AND LESS FOR VENEZUELA, ACCEPTS THIS NOT-SURPRISING CEPAL DIET, IT SUGGESTS WE WILL HAVE INCREASING DIFFICULTY IN THE IFI'S IN REDIRECTING LDC PRESSURE TO THE RELATIVELY RICH AMONG OPEC. CAMPBELL

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